

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Devon Energy Corporation
7525 Hwy 2 NW
P.O. Box 1644
Havre, MT 59501

Township 32 North, Range 17 East
Section 16: S $\frac{1}{2}$ SW $\frac{1}{4}$
Section 17: S $\frac{1}{2}$ SE $\frac{1}{4}$
Section 20: N $\frac{1}{2}$ NE $\frac{1}{4}$
Section 21: N $\frac{1}{2}$ NW $\frac{1}{4}$
320.00 Acres
Blaine County

State Tract(s):
Township 32 North, Range 17 East
Section 16: SE $\frac{1}{4}$ SW $\frac{1}{4}$
40 Acres
Trust: Common Schools 100%

Devon Energy Production Co. has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Hanson DIR 16-13-32-17 gas well, was spudded in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 20 of Township 32 North, Range 17 East in May of 2007. This spacing unit has a total of 320.00 acres, and includes the Eagle Sand Formation only. The State owns a total of 40 acres of the 320 mineral acres in the spacing unit that will be communitized. In addition, our tract is subject to further allocation in accordance with the terms and provisions of an existing CA which covers Section 16. See attached LANDOWNERS ROYALTY COMMITMENT exhibit for further explanation of the complete interest allocation. All the mineral owners in the spacing unit will share in the royalty from this well

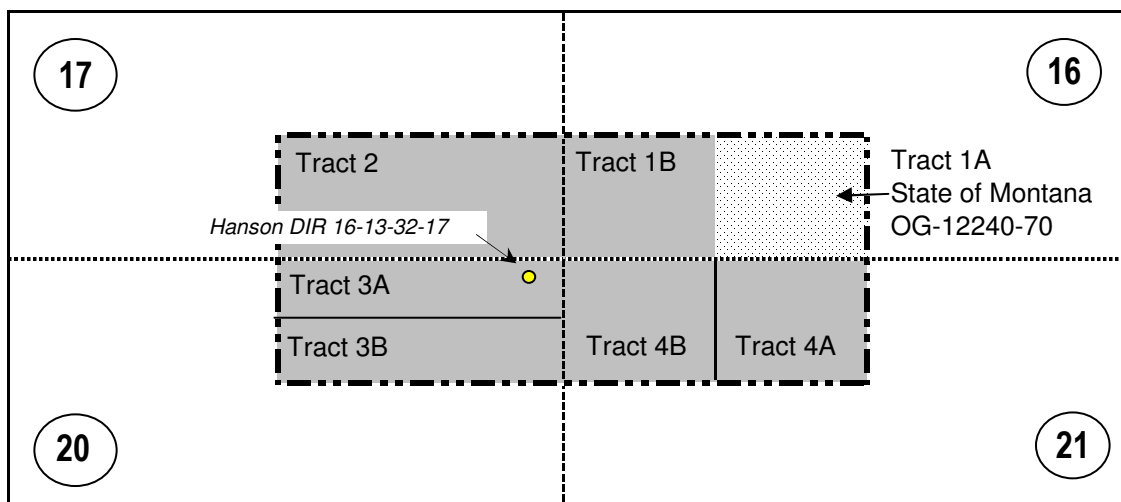
The State has 1 tract which comprises a total of 12.5% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area, and further allocated based on an 87.5% of interest in the existing CA for Section 16. The State will consequently receive 2.73% of all gas production (12.5% royalty rate x 25.0% tract participation of *Section 16* x 87.5% state share of interest from the existing Section 16 CA), for Tract 1A.

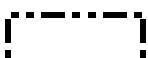
The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 32 North Range 17 East

Section 17 (S1/2SE1/4) & Section 16 (S1/2SW1/4)

Section 20 (N1/2NE1/4) & Section 21 (N1/2NW1/4)



 Proposed Communitized Area

Recapitulation

<i>Tract No.</i>	<i>Type</i>	<i>Acres</i>	<i>Tract Participation</i>	<i>Existing Agreement Allocation *</i>	<i>Royalty Interest</i>
1A	State of Montana OG-12240-70-99	40.00	25.00%	87.50%	12.50%
1B	Hanson Trust	40.00	25.00%	12.50%	12.50%
2	Hanson Trust	80.00	25.00%	N/A	12.50%
3A/3B	Hanson Trust	80.00	25.00%	100.00%	12.50%
4A/4B	Hanson Trust / MTM 7726	80.00	25.00%	N/A	12.50%
Total		320.00	100.00%		

Note: The Operator of the Communitized Area is Devon Energy Production Company

* All Production allocated to Tracts 1 & 3 are to be further allocated in accordance with the terms and provisions of the existing Communitization Agreements which cover Sections 16 and 20 respectively.